

McBride Governance Policy
Final October, 2016

Contents

Obligations of Directors versus Shareholders 2

Board of Directors Terms of Reference 3

Introduction 3

Powers and Functions of Directors 3

Board Areas of Responsibility 4

 General Legal Obligations of the Board of Directors 4

 Strategy Determination 4

 Policies and Procedures 4

 Selection of Management 4

 Monitoring and Acting 4

 Reporting and Communications 5

Board Governing Principles 6

Responsibilities of Individual Directors on the MCFC Board 7

General Responsibilities 7

Effective Conduct 7

Decision Making 8

Key Responsibilities of the Board of Directors Executive Positions 8

The Chair will: 8

The Vice Chair will: 9

The Secretary will: 9

The Treasurer will: 10

Board/Management Relationship 10

MCFC Director Accountability Agreement 11

Section 1 - Confidentiality and Consent 11

Section 2 - Code of Conduct 12

Section 3 - Personal Interest Disclosure Statement 13

 Purpose 13

 Process 13

Obligations of Directors versus Shareholders

While community forest organizations are businesses, they are often created for more reasons than just maximizing profit for their shareholders. Given that many community forest shareholders are public bodies such as local governments and First Nations, the desire to create jobs locally or provide environmental stewardship are often deemed highly important. It's easy in this often politicized context to lose sight of the fact that a community forest can only support and contribute to its shareholders' social or environmental goals to the extent it remains economically viable.

For a business to thrive and generate profits, particularly a forestry business that has long term planning horizons, it must be strategic and separated from politics. Political goals and objectives are different than those of a business. There is a vast amount of academic research on the direct linkage of profitability to the distance of politics from the business: The further the distance, the greater the profit and business success. A separation of politics from business also reduces the risk to the shareholder and in turn, the taxpayer.

Directors are responsible for managing the corporation or supervising its management. **Shareholders** are entitled to elect directors. If shareholders are not satisfied with the performance of directors, the shareholders may remove the directors in accordance with the applicable provisions of the Act or can refuse to re-elect a director.

Shareholders are typically not entitled to participate directly in corporate decision-making except for certain fundamental transactions or changes, such as changing the name of the corporation, selling the corporation or its assets, amending the articles of incorporation or changing restrictions on the corporation's activities. Municipal government shareholders take on particular risk when elected officials serve as directors and the arm's length relationship is fettered, thus raising significant liability concerns.

When the articles of incorporation fail to define the roles and responsibilities of shareholders, the board of directors and management in sufficient detail, a Shareholder Corporation Contract is a useful tool. A Template will be available soon from the BCCFA. The Contract will require review to ensure the specific needs of the local shareholder and the directors on the governing board are being met.

Board of Directors Terms of Reference

Introduction

The purpose of a Board is to govern. The ultimate responsibility for making governance policy and for deciding what the organization is going to accomplish belongs to the Board. Consequently, it is the Board as a whole, and not individual directors, staff or volunteers that set direction and set policy. However, when the Board and General Manager are working as partners, the General Manager will play an influential role in shaping direction and governance policy.

A primary responsibility of the Board of directors (the "Board") is to foster the long-term success of the MCFC. The Board operates by delegating to management some of its authority, including spending authorizations, and by reserving certain powers to itself.

The Board has the responsibility to oversee the conduct of the business of the MCFC and to guide and direct management, which is responsible for the day-to-day conduct of business. In acting on its responsibilities, the Board also considers the legitimate interests which others such as shareholders, the community, contractors and business organizations have in the MCFC. In supervising the conduct of the business, the Board sets the guiding principles for the MCFC and all aspects of the corporation.

Powers and Functions of Directors

Directors of a corporation must, subject to the Act, the *Business Corporations Regulation* and the memorandum and articles of the corporation, manage or supervise the management of the business and affairs of the company.

It is within the board of directors' mandate to decide what course of action or inaction is best calculated to protect and advance the interests of the corporation.

The board may exercise active control over the business, operations and internal affairs of the corporation, and is entitled to exercise financial control and management of the funds of the corporation including the method of raising such funds.

The board may establish protocols and policies to govern the manner in which corporate powers are to be exercised.

While the board of directors has a broad mandate, the directors still must act in accordance with the legislation governing the corporation, as well as its articles, by-laws and any unanimous shareholder agreement.

Board Areas of Responsibility

General Legal Obligations of the Board of Directors

Directors on the Board have specific statutory duties and obligations under corporate, employment, environmental, and financial reporting law, and under the withholding provisions of taxation law.

Directors are under a legal duty to the MCFC to carry out the duties of their office:

- honestly and in good faith;
- in the best interests of the MCFC; and,
- with the care, diligence, and skill of a reasonably prudent person

Strategy Determination

The Board has the responsibility:

1. To review, with management, the mission of the MCFC, its objectives and goals, and the strategies by which it proposes to reach those goals; and,
2. To review progress in achieving the goals established in the strategic plans.

Policies and Procedures

The Board has the responsibility:

1. To develop, approve and monitor compliance with all major policies which govern the MCFC's operations; and
2. To direct management to implement systems designed to ensure that the MCFC operates at all times within applicable laws and regulations, and to the highest ethical and moral standards.

Selection of Management

The Board has the responsibility:

1. To appoint and replace the General Manager; to monitor and periodically evaluate his performance; to approve the General Manager's compensation and to provide advice and counsel to the General Manager in the execution of the General Manager's duties;
2. To ensure that plans are made for management development and succession.

Monitoring and Acting

The Board has the responsibility:

1. To monitor the MCFC's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances, ensuring that the annual budget incorporates the long term financial model (and the related long term capital plan should there be one), and control and management information systems.
2. To approve the budget and any expenditures that deviate materially from the approved budget.
3. To identify the principle risks of the MCFC's business and take all reasonable steps to ensure the implementation of appropriate systems to manage these risks; and

4. To direct management to ensure that systems are in place for maintaining the integrity of and implementing the MCFC's internal financial control and management information systems.

Reporting and Communications

The Board has the responsibility:

1. To ensure that the financial status and results are reported fairly and in accordance with generally accepted accounting principles;
2. To ensure timely reporting of any other developments that have a significant and material effect on the performance of the MCFC and as required under the terms of reference of the shareholders agreement and MCFC's legal governing documents.
3. To report annually to its shareholders and the community on the Board's stewardship for the preceding year.
4. To ensure that the MCFC has appropriate policies in place to enable the MCFC to meaningfully and effectively communicate with its shareholders and the community.

Board Governing Principles

Governing principles are intended to assist the board in defining its role, its relationship with staff and how it will conduct itself as a governing body.

1. Recognition that the board exists to govern on behalf of the MCFC shareholders who have delegated the power and authority to act on their behalf and in the best interests of all who make up the MCFC and of the respective communities.
2. The MCFC accepts a governance model where the primary purpose and role of the Board is to govern, not to manage.
3. The Board designates the General Manager as the person responsible for managing, administering and operating the MCFC. In doing so it delegates to this position the power and authority necessary to execute the relevant duties and responsibilities.
4. The power and authority of the Board only exists when it acts as a whole. As individuals, Board members, including the Chairperson, exercises no power or authority in the MCFC, and cannot act or speak for the board unless specifically delegated to do so by the Board.
5. The only decisions or positions of the Board are those made by the Board through the accepted decision making process, ensuring that the Board speaks only with a unified voice.
6. Board members commit to partnering with each other, and with the General Manager to engage in actions and decisions that contribute to building and maintaining a healthy, effective and functioning Board and MCFC.
7. Directors have a responsibility to set aside any potential conflict between their personal or individual business interests to support the well-being of the community forest corporation.
8. Through regular meetings, the Board will help ensure effective organizational planning and see that the corporation's resources are managed effectively and that the corporation meets the regulatory requirements that apply.
9. The General Manager is the only staff person who reports to the Board, and is the person with whom the Board communicates and interacts within the operational context. The Board holds the General Manager accountable for performance within the Board approved budget and on achievement of the strategic priorities.
10. Annual assessment and evaluation of MCFC performance (both governing and management) is an essential requirement.

11. An up to date governance framework, including all necessary policies and dispute resolution mechanisms, is essential for the Board and the General Manager to successfully fulfill their respective mandates.

Responsibilities of Individual Directors on the MCFC Board

General Responsibilities

As a member of the Board, each director will:

1. Fulfill the legal requirements and obligations of a director, which includes an understanding of the statutory and fiduciary roles (A **fiduciary** is a legal or ethical relationship of trust between two or more parties. Typically, a **fiduciary** prudently takes care of money for another person.)
2. Use his or her ability, experience and influence constructively
3. Understand and respect the difference between governing and managing, and not encroach on management's area of responsibility
4. Identify and declare to the Board Chair, any potential or real conflict of interest areas and ensure that they are appropriately reviewed
5. Participate in the review and approval of organization policies and strategy and in monitoring their implementation
6. Participate in the performance evaluation of the General Manager and of the organization
7. Become generally knowledgeable of the business of the organization and its mandate
8. Prepare for each Board and committee meeting by reading the reports and background materials provided for the meeting
9. Ensure adequate education on the understanding of basic financial reporting, in particular, the balance sheet and profit and loss statements.

Effective Conduct

As a member of the Board, each director should establish an effective, independent and respected presence and a collegial relationship with other directors, through conduct that includes:

1. Not speaking or acting as an individual on behalf of the board unless specifically authorized to do so.
2. Not act as the representative of the interests of special groups or individuals over the best interests of the organization.
3. Participation in discussions of the Board in a manner that encourages the candid expression of

each director's opinion

4. Avoidance of any conduct or language that would reasonably be seen as intending to block the full expression of another director's views.
5. Supporting and abiding by Board resolutions, in the meeting and out in the community.
6. Follow the guidelines or rules agreed on by the board regarding how it will govern and conduct itself.
7. Honour the board conduct, confidentiality and disclosure policies which applies to all board directors.

Decision Making

Questions arising at any meeting of the Board will be decided by a majority of votes. In case of an equality of votes the chair of the Meeting, in addition to his or her original vote, will not have a second or casting vote.

1. Each Director has the right to request that the Board Minutes record his or her own negative vote or their act of abstaining from a vote.
2. Should a director strongly hold the view that a decision made by the Board is against the best interests of the organization, the Director may request that the Board review that decision, and by majority vote the Board may accept or decline to revisit the issue. In considering such a request, the Board may consider whether substantial new information has come to light since the decision was first made and whether the decision will be reviewed within the ordinary course of business of the organization, such as within the annual reviews set out in the board's governance policies and practices.
3. If the Board does not alter its decision or address that director's concerns, it is understood that the director making such a request must support the decision of the Board once they are out of the Board meeting.

Key Responsibilities of the Board of Directors Executive Positions

The Chair will:

1. Ensure that the Board has full governance of the MCFC's business and affairs and that the Board is alert to its obligations to the MCFC, to the communities or sectors it serves, to management, and under the law.
2. Provide leadership to the Board; assist the Board in reviewing and monitoring the strategy, policy and directions of the MCFC and the achievement of its objectives.

3. Encourage each director to contribute to discussions, particularly in areas which call upon that director's unique skills, experience, and background.
4. Facilitate discussions of the Board in a manner that encourages the candid expression of each director's opinion and discourages any conduct or language that would reasonably be seen as intending to block the full expression of another director's views.
5. Build consensus, develop teamwork and resolve conflict within the Board.
6. Co-ordinate the agenda, information packages and related events for Board meetings with the General Manager and the Secretary.
7. Review minutes of Board meetings for accuracy and edit as appropriate.
8. Chair Board meetings, meetings of Members and the Annual General Meeting.
9. Ensure that Board and committee meetings are conducted in an efficient, effective and focused manner. Ensure that the Board receives adequate and regular updates from management on all issues important to the welfare and future of the Organization.
10. Represent the Organization with external organizations or government to promote specific organizational objectives.
11. Serve as spokesperson for the Organization
12. Serve as the official liaison person with the General Manager
13. In coordination with the General Manager, ensure that the MCFC's management and, where applicable, the Board are appropriately represented at official functions and meetings.
14. Ensure that an Orientation for new directors and the new Chair is conducted in timely manner.
15. Ensure that a succession plan is in place
16. Act as a signing officer for cheques and other documents.
17. Assist the Board to the review of the following:
 - organizational goals and policies of the board
 - strategies and business plans developed by the General Manager
 - management, capital and operating plans, financial statements and management reports
 - the allocation of resources
 - the annual performance evaluation of the General Manager

The 1st Vice Chair will:

1. Act in the absence of the Chair.
2. Learn the duties of the Chair and keep informed on key issues.
3. Work closely as consultant and advisor to the Chairperson.
4. Keep the 2nd Vice Chair informed on key issues.
5. Prepare to serve a future term as Chairperson
6. Chair at least one major committee.
7. Orient the new 1st Vice-Chairperson.

The 2nd Vice Chair will:

1. Act in the absence of the 1st Vice Chair.
2. Learn the duties of the Chair and keep informed on key issues.
3. Prepare to serve a future term as Chairperson
4. Chair at least one major committee.
5. Orient the new 2nd Vice-Chairperson.

The Treasurer will:

1. Chair the Finance Committee (if applicable).
2. Serve as the board liaison to the General Manager in the development of the annual budget.
3. Act as signing officer, with another officer or Manager for cheques and other documents.
4. Orient the new Treasurer.

Board/Management Relationship

1. Directors respect that the board's job is to govern and management's job is to manage. Directors don't become involved in the management and operations of the organization other than through board policy or direction. This means that if a director is concerned about any aspect of the organization's operation, the matter is not raised directly with the General Manager or other staff. The concern is instead directed to the Chair with a request that it be addressed on the board agenda.
2. Directors may work with the Manager at the Manager's request or on committees set up by the manager. It is important to remember that in this context a director is a volunteer, not a member of the board.

MCFC Director Accountability Agreement

This document is in three sections and is intended to support accountability of each member of the McBride Community Forest Corporation (MCFC) Board of Directors.

Section 1 - Confidentiality and Consent

TO: McBride Community Forest Corporation

I hereby certify that:

1. I am not less than eighteen years of age;
2. I am not of unsound mind and have not been so found by a court in Canada or elsewhere; and
3. I do not have the status of a bankruptcy.

I hereby:

- consent to my election or appointment from time to time as a director of the Corporation
- consent to the holding of meetings of directors or any committees of directors of which I am a member by means of such telephone or other communications facilities as permit all persons participating in the meetings to hear each other
- acknowledge and declare that I am a resident of Canada
- undertake to advise the Corporation in writing of any change in my status as a resident of Canada.

In return for the McBride Community Forest Corporation (MCFC) giving me access to confidential information in the form of draft proposals, draft legislation, draft regulations, briefing materials, correspondence or verbal communication for the purposes of involvement in the affairs of the MCFC, I agree to keep confidential the documents and information that I obtain from this access or a result of this involvement. The discussion must not mention the specific wording of the draft proposals, draft legislation, draft regulations, briefing materials, correspondence or verbal communication.

Nothing in this agreement prevents me from disclosing confidential information or a confidential document:

1. to a person who has executed a confidentiality agreement with the MCFC similar to this one,
2. if the disclosure is required by law, or
3. if the information has first been made public by the MCFC.

If confidential information or a confidential document is made public by someone other than me, I may discuss the information or document that has been made public with any person as long as I do not, in that discussion, disclose any confidential information or document that has not already been made public.

Section 2 - Code of Conduct

The Code of Conduct sets out the conditions for the attitudes, behaviors and actions expected of an individual on the board of the MCFC.

In fulfilling my responsibilities as a board member of the MCFC I agree to:

1. Exercise the duties of care, diligence and skill.
2. Respect the confidentiality of board discussions and discussions.
3. Abide by all board policies governing board member behaviour, practices, decisions and actions.
4. Respect and abide by the board's governing principles.
5. Honour my obligations to attend all board meetings and where this is not possible, notify the Chair in advance of my inability to attend.
6. Support the work of the MCFC by attending MCFC events.
7. Come to board meetings having read the materials relevant to the board meeting agenda.
8. Abide by the board's meeting rules and by the method or process agreed to for conducting board meetings.
9. To avoid where possible any conflict of interest and when it is not possible to do so, declare to all board members the real or potential conflict.
10. Abide by any policy or rules of the board regarding conflict of interest which include the annual signing and submission of the Disclosure Statement.
11. Exercise and discharge the powers and duties of a director honestly and in good faith.
12. Respect the right of each member to contribute his/her position or opinion to board discussion and discussions, even though I might disagree with them.
13. Refrain from behaviour which undermines the board's integrity, discussions, decision making.
14. Ensure that my views and opinions are expressed in board discussions and to honour the principle that a board decision made fairly is the position on the matter decided.
15. To participate and contribute to building and maintaining a strong, healthy productive and effective functioning board.
16. Use board agendas and meeting to voice my disagreement with board positions and decisions and not attempt to undermine the board by using public forums or special interest groups or mechanisms to voice my disagreement.
17. Respect and honour the governing principles that board members will avoid communication with staff other than the General Manager on matters related to administration or operations.
18. Not use my position as a board member to obtain employment with the MCFC for myself, family members or close colleagues.

Section 3 - Personal Interest Disclosure Statement

Purpose

The purpose of a Personal Interest Disclosure Statement is to allow MCFC board of directors to declare personal interests, MCFCs and activities in order to manage for real or perceived conflict of interest. This form is an important component of the MCFC Conflict of Interest Policy.

Process

Members of the MCFC board of directors will complete the Disclosure Statement by listing employer, contracts, MCFCs, memberships, and other affiliations that may present a real or perceived conflict of interest. Please also list MCFCs that do not fall within these categories.

Employment

State employer (and/or major contracts) and briefly describe the nature of your work:

MCFCs and Memberships

State all clubs, Societies, MCFCs and other memberships relevant to the MCFC

Other Interests

List any additional information that is potentially of interest to the purpose of Conflict of Interest Policy:

I acknowledge that the information contained in this form is complete and accurate.

Print name

Signature

Date